

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES



In re Appellant:

Marsan et al.

Filed: October 6, 1999

Serial No.: 09/413,728

For: SYSTEM AND METHOD FOR  
PROCESSING RETRIEVAL  
REQUESTS

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Art Unit: 3629

Examiner: Igor Borissov

Docket No.: 014354-0001 (B65583)

APPEAL BRIEF

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## TABLE OF CONTENTS

I. REAL PARTY OF INTEREST (37 C.F.R. § 1.192(c)(1)) .....	2
II. RELATED APPEALS AND INTERFERENCES (37 C.F.R. § 1.192(c)(2)).....	2
III. STATUS OF CLAIMS (37 C.F.R. § 1.192(c)(3)).....	2
A. TOTAL NUMBER OF CLAIMS IN APPLICATION.....	2
B. STATUS OF ALL THE CLAIMS .....	2
C. CLAIMS ON APPEAL.....	3
IV. STATUS OF AMENDMENTS (37 C.F.R. § 1.192(c)(4)) .....	3
V. SUMMARY OF THE INVENTION (37 C.F.R. § 1.192(c)(5)).....	3
VI. ISSUES ((37 C.F.R. § 1.192(c)(6)) .....	6
VII. GROUPING OF CLAIMS ((37 C.F.R. § 1.192(c)(6)) .....	6
VIII. ARGUMENTS ((37 C.F.R. § 1.192(c)(6)) .....	7
ARGUMENT: VIIND – REJECTIONS UNDER 35 U.S.C. 103 (37 C.F.R. § 1.192(c)(8)(iv)).....	7
1. Background to Presently Claimed Invention .....	7
2. Nair .....	7
3. Patentability of claims 1, 2, 4-7, 11-19, and 21-27 .....	8
4. Claim for Violation of the Due Process Clause of the United States Constitution by the U.S. Patent and Trademark Office .....	19
5. Summary .....	21
IX. APPENDIX OF CLAIMS (37 C.F.R. § 1.192(c)(9)).....	22
X. OTHER MATERIAL THAT APPELLANT CONSIDERS NECESSARY OR DESIRABLE .....	26

I HEREBY CERTIFY THAT THIS CORRESPONDENCE IS BEING DEPOSITED WITH THE UNITED STATES POSTAL SERVICE AS FIRST CLASS MAIL IN AN ENVELOPE ADDRESSED TO: MAIL STOP APPEAL BRIEF - PATENTS, COMMISSIONER FOR PATENTS, P.O. BOX 1450, ALEXANDRIA, VIRGINIA 22313-1450, ON THE DATE INDICATED BELOW

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DATE: \_\_\_\_\_

PATENT

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

In re:	Patent Application of Marsan et al.	: Group Art Unit: 3629 : : :
Appln. No.:	09/413,728	: Examiner: Igor Borissov : :
Filed:	October 6, 1999	: : :
For:	SYSTEM AND METHOD FOR PROCESSING RETRIEVAL REQUESTS	: Attorney Docket : No. 014354-0001 (B65583)

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**APPELLANT'S BRIEF (37 C.F.R. § 1.192)**

This brief is in furtherance of the Notice of Appeal, filed in this case on July 28, 2003 and received on August 4, 2003.

The fees required under § 1.17 are dealt with in the accompanying TRANSMITTAL OF APPEAL BRIEF.

This brief is transmitted in triplicate. (37 C.F.R. § 1.192(a)).

This brief contains these items under the following headings, and in the order set forth below (37 C.F.R. § 1.192(c)).

- I. REAL PARTY OF INTEREST
- II. RELATED APPEALS AND INTERFERENCES
- III. STATUS OF CLAIMS
- IV. STATUS OF AMENDMENTS
- V. SUMMARY OF INVENTION

VI. ISSUES

VII. GROUPING OF CLAIMS

VIII. ARGUMENTS

ARGUMENT: VIID – REJECTIONS UNDER 35 U.S.C. 103

IX. APPENDIX OF CLAIMS INVOLVED IN THE APPEAL

X. OTHER MATERIAL THAT APPELLANT CONSIDERS NECESSARY OR  
DESIRABLE

The final page of this brief bears the practitioner's signature.

I. REAL PARTY OF INTEREST (37 C.F.R. § 1.192(c)(1))

The real party in interest in this appeal is Paymentech L.P..

II. RELATED APPEALS AND INTERFERENCES (37 C.F.R. § 1.192(c)(2))

There are no appeals or interferences that will directly affect, or be directly affected by,  
or have a bearing on the Board's decision in this appeal.

III. STATUS OF CLAIMS (37 C.F.R. § 1.192(c)(3))

The status of the claims in this application are:

A. TOTAL NUMBER OF CLAIMS IN APPLICATION

Claims in the application are: 27 claims. (Claims 1, 2, 4-7, 11-19, and 21-27)

Claims currently pending in the application: 22 pending claims

B. STATUS OF ALL THE CLAIMS

1. Claims cancelled: 3, 8, 9, 10, 20

2. Claims withdrawn from consideration but not cancelled: NONE

3. Claims pending: 1, 2, 4-7, 11-19, and 21-27.

4. Claims allowed: NONE.

5. Claims rejected: 1, 2, 4-7, 11-19, and 21-27.

### C. CLAIMS ON APPEAL

The claims on appeal are: 1, 2, 4-7, 11-19, and 21-27.

### IV. STATUS OF AMENDMENTS (37 C.F.R. § 1.192(c)(4))

The claims presently pending are those submitted January 21, 2003, in response to the non-final Office Action dated October 18, 2002 (paper no. 5).

### V. SUMMARY OF THE INVENTION (37 C.F.R. § 1.192(c)(5))

The following summary is provided without any intention to limit the scope of the claims. The subject matter of claims 1, 2, 4-7, 11-19, and 21-27 is summarized below.

Claim 1 provides a system for processing transaction data that includes a substitute draft system that receives a retrieval request (such as in response to a disputed charge from a cardholder) and which generates a substitute draft (such as a draft that includes everything except the cardholder's signature) in response to the retrieval request. A merchant interface generates a merchant request in response to the retrieval request, such as a request for the merchant to provide a copy of the signed sales draft. A mediation charge system receives a mediation charge, such as from a card rules organization, generates a merchant mediation charge if no response has been received to the merchant request, such as to assess the mediation charge to the merchant for failing to respond.

Claim 11 provides a method for processing a retrieval request that includes receiving the retrieval request, generating a substitute draft if it is determined that a retrieval request code is not in a set of retrieval requests codes that would prohibit the generation of the substitute draft; and generating a merchant request in response to the retrieval request.

Claim 12 provides a method for processing a retrieval request that includes receiving the retrieval request, generating a substitute draft if it is determined that issuing bank data is not in a set of issuing bank data that would prohibit the generation of the substitute draft, and generating a merchant request in response to the retrieval request.

Claim 13 provides a method for processing a retrieval request that includes receiving the retrieval request, generating a substitute draft if it is determined that bank card agency data is not in a set of bank card agency data that would prohibit the generation of the substitute draft, and generating a merchant request in response to the retrieval request.

Claim 14 provides a method for processing a retrieval request that includes receiving the retrieval request, generating a substitute draft if it is determined that transaction amount data is not in a set of transaction amount data that would prohibit the generation of the substitute draft, and generating a merchant request in response to the retrieval request.

Claim 15 provides a method for processing a retrieval request that includes receiving the retrieval request, generating a substitute draft if it is determined that card user data is not in a set of card user data that would prohibit the generation of the substitute draft, and generating a merchant request in response to the retrieval request.

Claim 16 provides a system for processing transaction data that includes a bank system generating a retrieval request in response to user-entered data, a bank card system receiving the retrieval request from the bank system, a transaction system receiving the retrieval request from the bank card system and generating a substitute draft and a merchant request in response to the retrieval request, the transaction system assessing a mediation charge against the merchant system if the merchant system has not generated sales draft data in response to the merchant request, and a merchant system coupled to the merchant interface, the merchant system receiving the merchant request and generating sales draft data in response to the merchant request.

Claim 27 provides a system for processing transaction data that includes a substitute draft system receiving a retrieval request and generating a substitute draft in response to the retrieval request, a merchant interface generating a merchant request in response to the retrieval request, and wherein signature data associated with the retrieval request is not used to generate the substitute draft.

Narrower embodiments of the invention are described below.

Claim 2 depends from claim 1 and includes an inhibit system receiving the retrieval request and inhibiting the substitute draft system so as to prevent the substitute draft system from generating the substitute draft.

Claim 4 depends from claim 1 and includes a merchant system receiving the merchant request and notifying an operator of the merchant request.

Claim 5 depends from claim 4 and includes the merchant system retrieving identification data in response to the merchant request and transferring the identification data to the merchant interface system.

Claim 6 depends from claim 1 and includes a bank card system transmitting the retrieval

request to the substitute draft system and receiving the substitute draft.

Claim 7 depends from claim 6 and includes a bank system generating the retrieval request and receiving the substitute draft from the bank card system.

Claim 17 depends from claim 16 and includes the transaction system receiving bank system data with the retrieval request, and wherein the transaction system generates the substitute draft in response to the retrieval request and the bank system data.

Claim 18 depends from claim 16 and includes the transaction system receiving card user data with the retrieval request, and wherein the transaction system is operable to generate the substitute draft in response to the retrieval request and the card user data.

Claim 19 depends from claim 16 and includes the transaction system receiving transaction amount data with the retrieval request, and wherein the transaction system generates the substitute draft in response to the retrieval request and the transaction amount data.

Claim 21 depends from claim 11 and includes determining that the retrieval request code is not in a set of retrieval requests codes that would prohibit the generation of the substitute draft is performed prior to receiving the retrieval request.

Claim 22 depends from claim 12 and includes determining that the issuing bank data is not in a set of set of issuing bank data that would prohibit the generation of the substitute draft comprises determining that no issuing bank would prohibit the generation of the substitute draft prior to receiving the retrieval request.

Claim 23 depends from claim 13 and includes determining that the bank card agency data is not in a set of set of bank card agency data that would prohibit the generation of the substitute draft comprises determining that no bank card agency would prohibit the generation of the substitute draft prior to receiving the retrieval request.

Claim 24 depends from claim 14 and includes determining that the transaction amount data is not in a set of set of transaction amount data that would prohibit the generation of the substitute draft is performed prior to receiving the retrieval request.

Claim 25 depends from claim 15 and includes determining that the card user data is not in a set of set of card user data that would prohibit the generation of the substitute draft is performed prior to receiving the retrieval request.

Claim 26 depends from claim 1 and includes the signature data associated with the retrieval request is not stored at the system for processing transaction data.

## VI. ISSUES ((37 C.F.R. § 1.192(c)(6))

Whether claims 1-2, 4-7, 11-19 and 21-25 are unpatentable under 35 USC § 102(b) over Nair.

Whether claims 26 and 27 are unpatentable under 35 U.S.C. § 103(a) over Nair.

## VII. GROUPING OF CLAIMS ((37 C.F.R. § 1.192(c)(6))

The following claim groupings are considered as standing or falling separately:

(a) Claims 1-2, 4-7, 11-19 and 21-25.

(b) Claim 11 and 21.

(c) Claim 12 and 22.

(d) Claim 13 and 23.

(e) Claim 14 and 24.

(f) Claim 15 and 25.

The reasons for separate patentability are set forth below.



VIII. ARGUMENTS ((37 C.F.R. § 1.192(c)(6))  
ARGUMENT: VIID – REJECTIONS UNDER 35 U.S.C. 103 (37 C.F.R. § 1.192(c)(8)(iv))

1. Background to Presently Claimed Invention

In one exemplary embodiment, the presently claimed invention provides a system for processing transaction data that receives a retrieval request and which generates a substitute draft in response to the retrieval request. A substitute draft is a draft that includes additional information from what is transmitted to the card-issuing bank as part of the authorization process, but which is not a sales draft that includes the signature of the card holder. In addition, a merchant request is generated in response to the retrieval request, such as to request a copy of the sales draft from the merchant. A mediation charge system generates a merchant mediation charge if no response has been received from the merchant to the merchant request.

2. Nair

Nair discloses a signature capturing printer and data card terminal “for facilitating the provision of chargeback protection and other features by a transaction processor for the benefit of a merchant.” Nair, col. 7, lines 64-66. As noted by Nair, there are two types of chargebacks: ones originating with a card issuer relating to improper transaction procedures, and ones originating with the cardholder regarding the origin of the transaction or the quality of goods. Nair, col. 4, lines 29-35. Nair notes that a retrieval request can be generated to obtain “a copy of the paper documentation supporting the transaction.” Nair notes that the prior art requires that “merchants must still maintain voluminous paper records of transactions for many years, resulting in inconvenience and expense when these paper records must be searched in order to respond to a retrieval request.” Nair, col. 6, lines 1-4. Nair further notes that if “signatures associated with data card transactions could be electronically captured, stored, and associated with other transaction data, and such information could be readily retrieved upon request, it might be possible to eliminate the requirement for retention of signature-bearing paper transaction receipts.” Nair, col. 6, lines 33-38.

Nair then discloses in the Detailed Description of the Preferred Embodiments exactly such a system. In Figure 33, a retrieval request is received from a card issuer at 1401. The receipt file, which includes the transaction data and the cardholder’s signature and which is stored at the transaction processor, is then searched by the transaction reference number at 1405,

and a receipt is printed at the transaction processor with the transaction data and signature at 1407. The retrieval request is then satisfied by mail or fax at 1409, all without the involvement of the merchant. See Nair, col. 68, lines 9-39. Nair further discloses in Figure 34 that if it is determined that a chargeback is retrieval related at 1513, that the chargeback is returned to the issuer with the receipt at 1517, but that if it is not retrieval related, then no receipt is provided. Instead, it is first determined whether the dispute is valid at 1519, and it is then determined whether the chargeback is a customer dispute at 1520, both of which require a human to analyze the chargeback. If the chargeback is a customer dispute, it then researched at 1522, or the transaction processor absorbs or represents all technical or data-related disputes at 1525.

### 3. Patentability of claims 1, 2, 4-7, 11-19, and 21-27

Many point-of-sale transactions where a credit card is presented and a signature is obtained cannot be completed using a signature capture terminal, such as that disclosed by Nair. For these transactions, if a charge is disputed, it may be necessary to obtain a copy of the sales draft with the cardholder's signature in order to resolve the dispute. The process of Nair not only fails to address such transactions, it also requires extensive analysis to be performed by human operators at the transaction processor in order to determine at 1513 whether a chargeback is retrieval related, at 1519 whether a dispute is valid, and at 1520 whether the chargeback is a customer dispute. If the transaction processor fails to perform the analysis correctly or does not perform the analysis within the time limits required by the card issuer, then the disputed charge must be paid for by the transaction processor. See, e.g., Nair at col. 4, lines 47-62.

In contrast to the system of Nair, an exemplary system constructed in accordance with claims 1, 2, 4-7, 11-19, and 21-27 can generate a substitute draft in response to retrieval requests, and can also generate a merchant request for the sales draft. If the merchant fails to respond to the merchant request, then the mediation charge can be assessed against the merchant for failure to respond. Thus, the burden of determining whether a copy of the sales draft needs to be provided can be placed on the merchant and not on the transaction processor. In addition, the substitute draft generated by the transaction processor may be sufficient to resolve the dispute, such that even where the merchant is unable to provide a copy of the sales draft with the signature or fails to provide it within the required time limit, the system of claims 1, 2, 4-7, 11-19, and 21-27 can avoid assessment of any charges, much less charges to the transaction

processor.

The Applicants believe that the Examiner's construction of claims 1, 2, 4-7, 11-19, and 21-27 as being anticipated by or obvious in view of Nair is incorrect, because it reads elements out of the claims. Federal Circuit precedent prohibits construing claims in a manner that reads elements out of the claim. *Texas Instruments v. U.S. Int'l Trade Comm'n*, 988 F.2d 1165, 1171 (Fed. Cir. 1993). Claim construction is reviewed de novo by the Board of Patent Appeals and Interferences. Further, it is axiomatic that "that which anticipates if earlier infringes if later." Thus, it needs to be determined de novo whether the system and method disclosed in Nair would infringe the proper construction of claims 1, 2, 4-7, 11-19, and 21-27.

Claim 1 includes a "system for processing transaction data comprising: a substitute draft system operable to receive a retrieval request and to generate a substitute draft in response to the retrieval request; a merchant interface coupled to the substitute draft system, the merchant interface operable to generate a merchant request in response to the retrieval request; and a mediation charge system coupled to the merchant interface, the mediation charge system operable to receive a mediation charge and to generate a merchant mediation charge if no response has been received to the merchant request." The Examiner construes a substitute draft to be disclosed at column 68, lines 9-28 and in Figure 33 of Nair. However, the cited section of Nair only discloses that a copy of the sales draft with the customer's signature is performed. "Reproduction of the receipt generally involves printing all data associated with the transaction such as purchase amount, account number, expiration date, authorization number, merchant's product identifying or other inventory code, and *cardholder signature*." (Emphasis added). In contrast, it is clear from the present application that a substitute draft is one that does not include the cardholder's signature. It is axiomatic that Applicants can be their own lexicographer – the construction of the term "substitute draft" asserted by the Examiner is improper because it applies to a sales draft, which includes the cardholder signature. Therefore, Nair fails to disclose this element of claim 1.

Furthermore, Nair fails to disclose a mediation charge system. The section of Nair cited by the Examiner that allegedly discloses the mediation charge system that generates a merchant mediation charge if no response has been received to the merchant request is voluminous – col. 2, lines 1 through 15, col. 4, lines 18 through 28, col. 5 line 48 through col. 6 line 38, and column 17 line 10 through column 19, line 24. The cited section of Nair contains 1,967 words, whereas

the claim element that is allegedly disclosed within these 1,967 words is only 36 words in length. The Applicants submit that the failure of the Examiner to point to anything shorter than 1967 words in length that discloses this element which is set forth in only 36 words in and of itself evinces that Nair fails to disclose this element of claim 1. Nevertheless, consider the entire reference of Nair for its teaching – which is over 45,000 words in length. As shown in Figure 34, if a chargeback is retrieval related, then it is resolved with a copy of the receipt, which includes the signature stored by the transaction processor. Thus, there is never any situation where a copy of a sales draft is requested from the merchant system 13 of Nair, much less any need to generate a merchant mediation charge if no sales draft is provided by the merchant. In fact, we see at 1520 of Figure 34 that it is determined whether the chargeback is a customer dispute, which would require an operator to analyze the chargeback. If it is determined that the chargeback is a customer dispute, then it is transferred to the merchant for rebuttal at 1522, whereas it is otherwise handled by the transaction processor at 1525. Thus, there is no place for a mediation charge system in Nair, as there is no circumstance under which a merchant must provide a copy of a sales draft and is assessed with the mediation charge for failing to do so.

In conclusion, the failure of Nair to disclose either a substitute draft or a mediation charge system renders the claim construction asserted by the Examiner improper. The Examiner's construction of claim 1 as being anticipated by Nair reads elements out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 2 depends from claim 1 and includes an inhibit system receiving the retrieval request and inhibiting the substitute draft system so as to prevent the substitute draft system from generating the substitute draft. The Examiner construes this element to be disclosed by the transaction processor, item 12 of Figure 2. However, this construction is flawed because Nair fails to disclose the generation or use of a substitute draft, such that the transaction processor 12 of Nair would be unable to generate a substitute draft, much less to inhibit the generation of the substitute draft. Furthermore, the word "inhibit" is not used anywhere in Nair, nor are any synonyms for inhibit such as "block" (other than as "block diagram"), "suppress," "prohibit," or "prevent." Nair simply fails to disclose or suggest inhibiting any action for any reason. Based on the totality of the teachings of Nair, in which a sales draft is generated using signature data stored by the transaction processor, the construction of claim 2 as covering transaction processor

12 of Nair reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 4 depends from claim 1 and includes a merchant system receiving the merchant request and notifying an operator of the merchant request. The Examiner construes this claim to cover column 68, lines 14-16 of Nair, which state “the host computer 40 of the transaction processor causes a receipt file stored in data storage 64 to be search by the reference number (or other identifying information) contained in the retrieval request. . . .” Applicants note that nothing in the cited section describes generating operator notification, and in fact, the Examiner has improperly construed claim 4 to be a process that works entirely without operator involvement. Based on the totality of the teachings of Nair, in which a sales draft is generated using signature data stored by the transaction processor, the construction of claim 4 as covering a process that does not require an operator reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 5 depends from claim 4 and includes that the merchant system retrieves identification data in response to the merchant request and transfers the identification data to the merchant interface system. The Examiner again construes this to be the automated process cited against claim 4. Based on the totality of the teachings of Nair, in which a sales draft is generated using signature data stored by the transaction processor, the construction of claim 5 as covering a process that does not require an operator reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 6 depends from claim 1 and includes a bank card system transmitting the retrieval request to the substitute draft system and receiving the substitute draft. The Examiner construes this claim to cover column 18, lines 30-31, column 68, lines 9-28 and 36-39, and column 17, lines 20-27 of Nair. As previously discussed, Nair entirely fails to disclose or suggest a substitute draft, and only discloses the provision of an actual sales draft with the accompanying signature. Based on the totality of the teachings of Nair, in which a sales draft is generated using signature data stored by the transaction processor, the construction of claim 6 as covering a process that does not provide a substitute draft reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be

reversed.

Claim 7 depends from claim 6 and includes a bank system generating the retrieval request and receiving the substitute draft from the bank card system. The Examiner again construes this claim to cover column 18, lines 30-31, column 68, lines 9-28 and 36-39, and column 17, lines 20-27 of Nair. As previously discussed, Nair entirely fails to disclose or suggest a substitute draft, and only discloses the provision of an actual sales draft with the accompanying signature. Based on the totality of the teachings of Nair, in which a sales draft is generated using signature data stored by the transaction processor, the construction of claim 7 as covering a process that does not provide a substitute draft reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 11 covers a "method for processing a retrieval request comprising: receiving the retrieval request; generating the substitute draft if it is determined that a retrieval request code is not in a set of retrieval requests codes that would prohibit the generation of the substitute draft; and generating a merchant request in response to the retrieval request." For this claim, the Examiner construes *generating the substitute draft if it is determined that a retrieval request code is not in a set of retrieval request codes that would prohibit the generation of a substitute draft* to be disclosed by the voluminous materials at col. 2, lines 1 through 15, col. 4, lines 18 through 28, col. 5 line 48 through col. 6 line 38, and column 17 line 10 through column 19, line 24, as well as additional materials at column 46, lines 46-49, column 50, lines 28-35, and column 68, lines 9-28, instead of the *mediation charge system* for which this section was cited against claim 1. Regardless of whether this section is construed to cover generation of a substitute draft or a mediation charge system, based on the totality of the teachings of Nair, in which a sales draft is generated using signature data stored by the transaction processor, the construction of claim 11 as covering a process that does not provide a substitute draft reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

It is further noted that Nair utterly fails to disclose any functionality based on retrieval request codes. For example consider the definition of "retrieval request" provided by Nair at column 18, lines 16-23: "A "retrieval request" is a request or inquiry made of a merchant or merchant's transaction processor, typically from a cardholder or card issuer, for a hard copy of documentation associated with a given transaction. Typically, a transaction may be charged back

to the transaction processor or merchant if the requested documentation is not provided within a time limit set under card issuing association regulations.” Likewise, consider the functionality disclosed at column 68, lines 9-14: “Starting in FIG. 33 at step 1401, a transaction processor 12 receives a retrieval request from one of the card issuing associations 18a-d. This retrieval request contains certain identifying information such as a transaction reference number, cardholder account number, transaction date, and transaction amount.” There is no mention of any retrieval request codes, much less a set of retrieval request codes for which generation of a substitute draft is inhibited. One of ordinary skill in the art reading Nair would be led to understand that there is only a single retrieval request code at best, as no disclosure of more than one code is provided anywhere in Nair. The construction of claim 11 as covering a process that does not provide a set of retrieval request codes for which generation of a substitute draft is prohibited reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 12 includes a “method for processing a retrieval request comprising: receiving the retrieval request; generating the substitute draft if it is determined that issuing bank data is not in a set of issuing bank data that would prohibit the generation of the substitute draft; and generating a merchant request in response to the retrieval request.” For this claim, the Examiner construes *generating the substitute draft if it is determined that issuing bank data is not in a set of issuing bank data that would prohibit the generation of a substitute draft* to be disclosed by the voluminous materials at col. 2, lines 1 through 15, col. 4, lines 18 through 28, col. 5 line 48 through col. 6 line 38, and column 17 line 10 through column 19, line 24, column 46, lines 46-49, column 50, lines 28-35, and column 68, lines 9-28, instead of the *mediation charge system* for which this section was cited against claim 1 or the *retrieval request code* functionality for which this section was cited against claim 11. As previously discussed, Nair utterly fails to disclose generation of a substitute draft, much less any functionality that requires determining whether issuing bank data is in a set of issuing bank data for which a substitute draft should not be generated. The construction of claim 12 as covering a process that does not provide a set of issuing bank codes for which generation of a substitute draft is prohibited reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 13 includes a “method for processing a retrieval request comprising: receiving the

retrieval request; generating the substitute draft if it is determined that bank card agency data is not in a set of bank card agency data that would prohibit the generation of the substitute draft; and generating a merchant request in response to the retrieval request.” For this claim, the Examiner construes *generating the substitute draft if it is determined that bank card agency data is not in a set of bank card agency data that would prohibit the generation of a substitute draft* to be disclosed by the voluminous materials at col. 2, lines 1 through 15, col. 4, lines 18 through 28, col. 5 line 48 through col. 6 line 38, and column 17 line 10 through column 19, line 24, column 46, lines 46-49, column 50, lines 28-35, and column 68, lines 9-28, instead of the *mediation charge system* for which this section was cited against claim 1, the *retrieval request code* functionality for which this section was cited against claim 11, or the *issuing bank code* functionality for which this section was cited against claim 12. One is beginning to see a pattern in the Examiner’s rejection of the claims – whenever an element cannot be explicitly found in Nair, the Examiner simply points to this general purpose section of Nair in which the element is allegedly buried. However, this is not sufficient to establish a basis for rejection of the claims under 35 U.S.C. 102(b) under Nair – each element of the claimed invention must be present and explicitly disclosed or suggested.

As previously discussed, Nair utterly fails to disclose generation of a substitute draft, much less any functionality that requires determining whether bank card agency data is in a set of bank card agency data for which a substitute draft should not be generated. The construction of claim 13 as covering a process that does not provide a set of bank card agency data for which generation of a substitute draft is prohibited reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 14 includes a “method for processing a retrieval request comprising: receiving the retrieval request; generating the substitute draft if it is determined that transaction amount data is not in a set of transaction amount data that would prohibit the generation of the substitute draft; and generating a merchant request in response to the retrieval request.” For this claim, the Examiner construes *generating the substitute draft if it is determined that transaction amount data is not in a set of transaction amount data that would prohibit the generation of a substitute draft* to be disclosed by the voluminous materials at col. 2, lines 1 through 15, col. 4, lines 18 through 28, col. 5 line 48 through col. 6 line 38, and column 17 line 10 through column



19, line 24, column 46, lines 46-49, column 50, lines 28-35, and column 68, lines 9-28, instead of the *mediation charge system* for which this section was cited against claim 1, the *retrieval request code* functionality for which this section was cited against claim 11, the *issuing bank code* functionality for which this section was cited against claim 12, or the *bank card agency data* functionality for which this section was cited against claim 13. As previously discussed, Nair utterly fails to disclose generation of a substitute draft, much less any functionality that requires determining whether transaction amount data is in a set of transaction amount data for which a substitute draft should not be generated. The construction of claim 14 as covering a process that does not provide a set of transaction amount data for which generation of a substitute draft is prohibited reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 15 includes a “method for processing a retrieval request comprising: receiving the retrieval request; generating the substitute draft if it is determined that card user data is not in a set of card user data that would prohibit the generation of the substitute draft; and generating a merchant request in response to the retrieval request.” For this claim, the Examiner construes *generating the substitute draft if it is determined that card user data is not in a set of card user data that would prohibit the generation of a substitute draft* to be disclosed by the voluminous materials at col. 2, lines 1 through 15, col. 4, lines 18 through 28, col. 5 line 48 through col. 6 line 38, and column 17 line 10 through column 19, line 24, column 46, lines 46-49, column 50, lines 28-35, and column 68, lines 9-28, instead of the *mediation charge system* for which this section was cited against claim 1, the *retrieval request code* functionality for which this section was cited against claim 11, the *issuing bank code* functionality for which this section was cited against claim 12, the *bank card agency data* functionality for which this section was cited against claim 13, or the *transaction amount data* functionality for which this section was cited against claim 14. As previously discussed, Nair utterly fails to disclose generation of a substitute draft, much less any functionality that requires determining whether card user data is in a set of card user data for which a substitute draft should not be generated. The construction of claim 15 as covering a process that does not provide a set of card user data for which generation of a substitute draft is prohibited reads this element out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 16 includes a “system for processing transaction data comprising: a bank system

operable to generate a retrieval request in response to user-entered data; a bank card system coupled to the bank system, the bank card system operable to receive the retrieval request from the bank system; a transaction system coupled to the bank card system, the transaction system operable to receive the retrieval request from the bank card system and to generate a substitute draft and a merchant request in response to the retrieval request, the transaction system is operable to assess a mediation charge against the merchant system if the merchant system has not generated sales draft data in response to the merchant request; and a merchant system coupled to the merchant interface, the merchant system operable to receive the merchant request and to generate sales draft data in response to the merchant request.” For the generation of the sales draft by the merchant system, the Examiner cites column 67, lines 62-63, which reads “transactions, since such data is stored electronically, paperlessly, in the database of the transaction processor. Trans-“ Where is a merchant system in this cited section, much less generation of the sales draft by the merchant system? Nowhere. The teachings of Nair, such as shown in Figures 33 and 34, make it clear that the merchant system 13 of Nair is not involved in the generation of the sales draft – only the transaction processor 12 is involved. As disclosed at lines 58-68 of column 67 (i.e., reading the entirety of the excerpt relied on by the Examiner), “Merchants who retain the services of a transaction processor that uses systems constructed in accordance with the present invention will find that they no longer have the need to store paper records of their data card transactions, since such data is stored electronically, paperlessly, in the database of the transaction processor. Transaction processors using the present invention can respond to retrieval requests on behalf their customers (e.g. merchants) quickly and efficiently since all data is stored in the transaction processor's host computer, allowing the transaction processor to provide a valuable service to the merchant.” Thus, the section cited by the Examiner shows the opposite of what it is cited for – that the merchant system 13 is not involved in any way in the generation of the sales draft, as well as that no substitute draft is required.

Furthermore, it is noted that the use of “sales draft” and “substitute draft” in claim 16 requires them to be construed differently – the substitute draft is generated by the transaction system, whereas the sales draft is generated by the merchant system. There is no possible construction of Nair that provides a “sales draft” and a “substitute draft,” because only a single draft is generated by Nair. Whether this is called a “substitute draft” or a “sales draft” is irrelevant in regards to claim 16. While it could be argued incorrectly that Nair generates a

substitute draft instead of a sales draft (using a construction of the term “substitute draft” that is contrary to the plain meaning of that term as well as the meaning of that term in light of the definition adopted by the Applicants in the present application), in regards to claim 16, there can be no escaping the conclusion that Nair only discloses generating a single type of response to a retrieval request – a sales draft, complete with the signature of the cardholder. The construction of claim 16 as covering a process that does not generate a substitute draft or in which a mediation charge is assessed against a merchant if the merchant fails to provide a sales draft reads these elements out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 17 depends from claim 16 and includes that the transaction system receives bank system data with the retrieval request and generates the substitute draft in response to the retrieval request and the bank system data. Claim 18 depends from claim 16 and includes that the transaction system receives card user data with the retrieval request and generates the substitute draft in response to the retrieval request and the card user data. Claim 19 depends from claim 16 and includes that the transaction system receives transaction amount data with the retrieval request and generates the substitute draft in response to the retrieval request and the transaction amount data. These claims all include generating the substitute draft based on additional types of data – bank system data for claim 17, card user data for claim 18, and transaction amount data for claim 19. Nair fails to disclose generation of any substitute draft for any reason, much less based on other types of data such as bank system data, card user data, or transaction amount data. The construction of claims 17, 18, and 19 as covering a process that does not generate a substitute draft much less based on different types of data reads these elements out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 21 depends from claim 11 and adds that determining that the retrieval request code is not in a set of retrieval requests codes that would prohibit the generation of the substitute draft is performed prior to receiving the retrieval request. Claim 22 depends from claim 12 and adds that determining that the issuing bank data is not in a set of set of issuing bank data that would prohibit the generation of the substitute draft comprises determining that no issuing bank would prohibit the generation of the substitute draft prior to receiving the retrieval request. Claim 23 depends from claim 13 and adds that determining that the bank card agency data is not in a set of

set of bank card agency data that would prohibit the generation of the substitute draft comprises determining that no bank card agency would prohibit the generation of the substitute draft prior to receiving the retrieval request. Claim 24 depends from claim 14 and adds that determining that the transaction amount data is not in a set of set of transaction amount data that would prohibit the generation of the substitute draft is performed prior to receiving the retrieval request. Claim 25 depends from claim 15 and adds that determining that the card user data is not in a set of set of card user data that would prohibit the generation of the substitute draft is performed prior to receiving the retrieval request. These claims 21 through 25 each depend from a claim this is allowable over Nair for reasons previously provided in regards to claims 11 through 15, including the generation of a substitute draft, and each includes at least one additional limitation that is not disclosed by Nair as previously discussed, including performing additional functionality prior to generating the substitute draft to determine whether generation of the substitute draft is permitted. The construction of claims 21 through 25 as covering a process that does not generate a substitute draft, much less one that fails to disclose performing additional functionality prior to generating the substitute draft to determine whether generation of the substitute draft is permitted, reads these elements out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 26 depends from claim 1 wherein signature data associated with the retrieval request is not stored at the system for processing transaction data. It is noted that this claim was specifically added in order to point out the flaw with the Examiner's rejection of the claims over Nair. In response, the Examiner rejected claim 26 under 35 U.S.C. 103(a) over Nair, instead of 35 U.S.C. 102, apparently not understanding that the references that are used to reject a claim must suggest or disclose each element of the claim regardless of whether the basis for the rejection is 35 U.S.C. 102 or 35 U.S.C. 103. The Examiner states that it "would have been an obvious matter of design choice at the time the invention was made to modify Nair et al. to include that the signature data associated with the retrieval request is not used to generate the substitute draft because it is well known in the art to use various record data units for computerized transaction record systems, See, for example, Johnson et al. (US 5,813,009) showing a digital camera as an input data source (Abstract; column 8, lines 46-59)." Why is claim 26 rejected under 35 U.S.C. 103(a) as being obvious over only Nair when a second reference is also cited against the claim? Furthermore, and more importantly, the cited teaching

of the reference “a digital camera as an input data source” fails to provide the element of claim 26 that is missing from Nair. Nair discloses a system for processing transaction data (transaction processor 12) that stores signature data in order to generate a sales draft, so as to make the generation of a substitute draft unnecessary. Thus, by explicitly noting that the signature data – i.e., the signed copy of the sales draft - is not stored at the transaction processor 12, this forces one to the inescapable conclusion that *the substitute draft does not include signature data*. The citation of Johnson or any other reference that discloses cameras, scanners, or other input data sources is completely irrelevant. The rejection of claim 26 under 35 U.S.C. 103(a) in light of Nair, while citing but not explicitly relying the teachings of a second reference such as Johnson, is improper, not only because it fails to cite the correct basis for the rejection of the claim but also because it reads the element of generating a substitute draft that does not include signature data out of the claim, in violation of the legal requirements for claim construction imposed by the Federal Circuit, and should be reversed.

Claim 27 includes a “system for processing transaction data comprising: a substitute draft system receiving a retrieval request and generating a substitute draft in response to the retrieval request; a merchant interface coupled to the substitute draft system, the merchant interface generating a merchant request in response to the retrieval request; and wherein signature data associated with the retrieval request is not used to generate the substitute draft.” Again, claim 27 specifically requires that the signature data associated with the retrieval request not be used to generate a substitute draft, thus explicitly rendering the system of Nair inappropriate as a basis for the rejection of the claims under 35 U.S.C. 102 or 35 U.S.C. 103.

#### 4. Claim for Violation of the Due Process Clause of the United States Constitution by the U.S. Patent and Trademark Office.

In *State Street Bank & Trust Co. v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998), the Federal Circuit held that software-implemented inventions that are drawn to methods of doing business are no different from any other inventions for which patent protection may be sought, such that property owners of such patentable inventions have a property interest that must be protected under the Due Process Clause of the United States Constitution. The U. S. Patent and Trademark Office has instituted programs, quotas, and other arbitrary and capricious requirements that deprive such property owners of their rights under the Patent Laws without an

articulated state interest. This patent application has been assigned to Class 705, which is the class which has been targeted for such unfair treatment by the U. S. Patent and Trademark Office.

Evidence of this unfair treatment is provided by the Director of the U. S. Patent and Trademark Office, James Rogan, who is quoted in a February 7, 2003 Chicago Tribune article entitled "Note: This Headline is Patented" as saying that the Patent Office has "gone from a 75% acceptance rate to a 75% rejection rate" for "business method" patents. It is not clear how such a symmetric change from allowing 75% of pending "business method" software patents to rejecting 75% of such applications could be accomplished relative to the allowance rate in other art units remaining unchanged, without the implementation of a quota system, either de factor or explicit. One also wonders how attorneys and agents that draft applications that have a 75% allowance probability in other art units suddenly start turning out applications that only have a 25% allowance probability once those applications are classified in Class 705.

Additional evidence of such unfair treatment is provided by the actions of the Examiner in this application. The Examiner initially indicated that certain claims were allowable on May 14, 2002, but then reversed himself without providing any substantive reason for doing so on October 18, 2002, just several months before Director Rogan's boast of having changed the number of allowable applications in this art area virtually overnight. When the Examiner was asked during the interview on June 11, 2003 whether this change was due to the "second pair of eyes" review process, which has been implemented against all allowed applications in class 705, he asserted that the application had not received second pair of eyes review after the indication of allowability, an assertion that is plainly refuted by the December 2000 issue of USPTO Today. It is further noted the Examiner for this application initially refused to grant an interview after issuing the final rejection, and that it was necessary to contact his supervisor in order to obtain an interview. The practitioner signing this appeal brief has only had this occur for other unrelated applications where the inventions have been classified in Class 705.

While direct proof that the Examiner for this application was directed or given an incentive to deny equal protection of the laws to this application is not presently available, the circumstantial evidence establishes beyond a reasonable doubt that the U.S. Patent and Trademark Office has targeted a class of inventions that has been found to be patentable by the Federal Circuit and is depriving the property owners of such patents of the value of their

property. The effect of these arbitrary and capricious actions of the U.S. Patent and Trademark Office are a regulatory taking, in violation of *Lucas v. South Carolina Coastal Council*, 505 U.S. 1003 (1992). Applicants raise this issue primarily for the purposes of appeal to the Federal Circuit, and further suggest that the proper measure of damages for such regulatory takings would be compensation from the U. S. Patent and Trademark Office to the owners of such property rights equivalent to a reasonable royalty for licensing the claims that the property owners have been wrongfully deprived of for the period of time for which such property owners were deprived thereof, plus attorney's fees.

#### 5. Summary

For the reasons set forth above, Appellant submits that the Examiner's construction of the claims is improper on the grounds that it reads elements out of the claims, and that Appellant's properly construed claimed invention is indeed novel and unobvious over the applied references and the art of record.

Accordingly, the Examiner's rejections must be REVERSED, and claims 1, 2, 4-7, 11-19, and 21-27 must be allowed.

## IX. APPENDIX OF CLAIMS (37 C.F.R. § 1.192(c)(9))

The text of the claims involved in the appeal are as follows:

1. A system for processing transaction data comprising:
  - a substitute draft system operable to receive a retrieval request and to generate a substitute draft in response to the retrieval request;
  - a merchant interface coupled to the substitute draft system, the merchant interface operable to generate a merchant request in response to the retrieval request; and
  - a mediation charge system coupled to the merchant interface, the mediation charge system operable to receive a mediation charge and to generate a merchant mediation charge if no response has been received to the merchant request.
2. The system of claim 1 further comprising an inhibit system coupled to the substitute draft system, the inhibit system operable to receive the retrieval request and to inhibit the substitute draft system so as to prevent the substitute draft system from generating the substitute draft.
4. The system of claim 1 further comprising a merchant system coupled to the merchant interface, the merchant system operable to receive the merchant request and to notify an operator of the merchant request.
5. The system of claim 4 wherein the merchant system is operable to retrieve identification data in response to the merchant request and to transfer the identification data to the merchant interface system.
6. The system of claim 1 further comprising a bank card system coupled to the substitute draft system, the bank card system operable to transmit the retrieval request to the substitute draft system and to receive the substitute draft.
7. The system of claim 6 further comprising a bank system coupled to the bank card system, the bank system operable to generate the retrieval request and to receive the substitute draft from the bank card system.
11. A method for processing a retrieval request comprising:
  - receiving the retrieval request;
  - generating the substitute draft if it is determined that a retrieval request code is not in a set of retrieval requests codes that would prohibit the generation of the substitute draft; and
  - generating a merchant request in response to the retrieval request.



12. A method for processing a retrieval request comprising:  
receiving the retrieval request;  
generating the substitute draft if it is determined that issuing bank data is not in a set of issuing bank data that would prohibit the generation of the substitute draft; and  
generating a merchant request in response to the retrieval request.
13. A method for processing a retrieval request comprising:  
receiving the retrieval request;  
generating the substitute draft if it is determined that bank card agency data is not in a set of bank card agency data that would prohibit the generation of the substitute draft; and  
generating a merchant request in response to the retrieval request.
14. A method for processing a retrieval request comprising:  
receiving the retrieval request;  
generating the substitute draft if it is determined that transaction amount data is not in a set of transaction amount data that would prohibit the generation of the substitute draft; and  
generating a merchant request in response to the retrieval request.
15. A method for processing a retrieval request comprising:  
receiving the retrieval request;  
generating the substitute draft if it is determined that card user data is not in a set of card user data that would prohibit the generation of the substitute draft; and  
generating a merchant request in response to the retrieval request.
16. A system for processing transaction data comprising:  
a bank system operable to generate a retrieval request in response to user-entered data;  
a bank card system coupled to the bank system, the bank card system operable to receive the retrieval request from the bank system;  
a transaction system coupled to the bank card system, the transaction system operable to receive the retrieval request from the bank card system and to generate a substitute draft and a merchant request in response to the retrieval request, the transaction system is operable to assess a mediation charge against the merchant system if the merchant system has not generated sales draft data in response to the merchant request; and  
a merchant system coupled to the merchant interface, the merchant system operable to receive the merchant request and to generate sales draft data in response to the merchant request.

17. The system of claim 16 wherein the transaction system is operable to receive bank system data with the retrieval request, and wherein the transaction system is operable to generate the substitute draft in response to the retrieval request and the bank system data.

18. The system of claim 16 wherein the transaction system is operable to receive card user data with the retrieval request, and wherein the transaction system is operable to generate the substitute draft in response to the retrieval request and the card user data.

19. The system of claim 16 wherein the transaction system is operable to receive transaction amount data with the retrieval request, and wherein the transaction system is operable to generate the substitute draft in response to the retrieval request and the transaction amount data.

21. The method of claim 11 wherein determining that the retrieval request code is not in a set of retrieval requests codes that would prohibit the generation of the substitute draft is performed prior to receiving the retrieval request.

22. The method of claim 12 wherein determining that the issuing bank data is not in a set of set of issuing bank data that would prohibit the generation of the substitute draft comprises determining that no issuing bank would prohibit the generation of the substitute draft prior to receiving the retrieval request.

23. The method of claim 13 wherein determining that the bank card agency data is not in a set of set of bank card agency data that would prohibit the generation of the substitute draft comprises determining that no bank card agency would prohibit the generation of the substitute draft prior to receiving the retrieval request.

24. The method of claim 14 wherein determining that the transaction amount data is not in a set of set of transaction amount data that would prohibit the generation of the substitute draft is performed prior to receiving the retrieval request.

25. The method of claim 15 wherein determining that the card user data is not in a set of set of card user data that would prohibit the generation of the substitute draft is performed prior to receiving the retrieval request.

26. The system of claim 1 wherein signature data associated with the retrieval request is not stored at the system for processing transaction data.

27. A system for processing transaction data comprising:  
a substitute draft system receiving a retrieval request and generating a substitute draft in

response to the retrieval request;

a merchant interface coupled to the substitute draft system, the merchant interface generating a merchant request in response to the retrieval request; and

wherein signature data associated with the retrieval request is not used to generate the substitute draft.

X. OTHER MATERIAL THAT APPELLANT CONSIDERS NECESSARY OR DESIRABLE

See Appendix:

- A. Nair - U.S. Patent No. 5,479,530.
- B. "This Headline is Patented," February 7, 2003, Chicago Tribune.
- C. U.S.P.T.O. Today, December 2000.

Respectfully submitted,

10/3/03  
(Date)

By:

  
CHRISTOPHER J. ROURK

Registration No. 39,348

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

## Chicago Tribune

—ONLINE EDITION—

<http://www.chicagotribune.com/technology/local/chi-0302.0.7319176.story>

*From the Los Angeles Times*

# Note: This headline is patented

By David Streitfeld  
Times Staff Writer

February 7, 2003

For decades, finicky children have been eating peanut butter and jelly sandwiches with the crust removed. From a legal point of view, however, the lunchbox staple was invented on a patio in Fargo, N.D., in 1995.

David Geske, who ran a packaged ice business, was entertaining his friend Len Kretchman, a consultant. For lunch, their kids wanted peanut butter and jelly with the bread trimmed and folded over. As they were preparing the meal, Kristen Geske and Emily Kretchman told their husbands: "You guys should make a sandwich with no crust."

That offhand comment spawned Incredible Uncrustables, a sandwich the two entrepreneurs mass-produced for Midwestern schools. It also began a long-running dispute over whether the U.S. Patent and Trademark Office went too far when it gave Geske and Kretchman the first patent on a mundane household sandwich.

"This doesn't mean your grandmother can't make you a peanut butter and jelly sandwich," said Ann Harlan, a lawyer for J.M. Smucker Co., which now owns Geske and Kretchman's company.

But it does mean that Smucker will try to prevent other companies from making them. For more than two years, Smucker has been arguing in court and the patent office that a crustless peanut butter and jelly sandwich made by Albie's Foods Inc. is violating its patent and must be taken off the market.

"They're misusing the patent system," said Albie's lawyer Kevin Heinl. "It's outrageous."

A generation ago, Smucker's sandwich, which looks like a flying saucer, and Albie's, which is a fat square, would have fought it out in the marketplace. The best sandwich would win.

Advertisement

Now the corporate urge is to get a patent to stifle competition. It's a process being helped along by the courts and Congress, which keep broadening the nature of what is patentable while limiting the patent office's ability to reject an application on the grounds of common sense.

Meanwhile, the system as a whole is breaking down. Patent applications are increasing in complexity and length, but the 3,500 examiners still are evaluated by how many they approve. The inevitable consequence, says one former examiner: "The path of least resistance is saying yes." Three-quarters of applications get approved.

Two former heads of the patent office have described the agency as sitting "on the edge of an abyss."

"Crisis is a strong word," the American Intellectual Property Law Assn. has noted in correspondence, "but we believe that it aptly describes the situation."

James E. Rogan, the former Republican congressman from Glendale who became director of the patent office in December 2001, agrees with all but the most strident critics.

"This is an agency in crisis, and it's going to get worse if we don't change our dynamic," Rogan said. "It doesn't do me any good to pretend there's not a problem when there is."

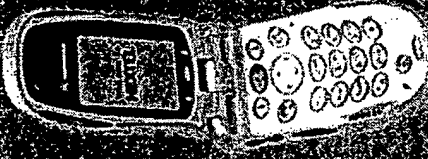
Beyond the plight of an antiquated government bureaucracy overseeing a field that is undergoing explosive growth, there are deeper questions about the fundamental role of patents.

They played a key role in the technology boom of the last 25 years. Companies licensed their innovations to others, who in turn used them as springboards for new inventions.

Yet there's a point where patents impede innovation. It can cost more to check whether a software program infringes on previously patented programs than it cost to write the program in the first place.

Since patents tend to be complex, infringement can be determined only by a professional. That's one reason the number of intellectual property lawyers has quadrupled since 1985. During the same time, the number of court cases involving intellectual property has doubled.

Technology companies, in particular, spend massive amounts of time and money either suing over patents or being sued. Research in Motion Ltd., maker of the popular BlackBerry hand-held e-mail device, sued competitors for alleged patent violations, gaining licensing fees. Then the company itself was sued for infringement. A private holding company called NTP Inc. said Research in Motion was violating its patents on wireless e-mail.



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Research in Motion lost the case, recording a \$32-million charge for litigation and related expenses. NTP is seeking an injunction to prevent the company from selling BlackBerry's. Meanwhile, the patent office is reviewing whether it should have granted the NTP patents in the first place.

"Developing software is like crossing a minefield: With each design decision, you might step on a patent that will blow up your project," said Richard Stallman, an advocate of free software. "A modern program combines hundreds of ideas, so be prepared for a long stroll among the mines."

The system was never supposed to be so combative. Patents, which last for 20 years, are enshrined in the Constitution as a means of promoting creativity and encouraging progress by rewarding inventors.

For a long time, the scope of patents was sharply limited and easily understood. Ideas and natural phenomena were not patentable. Machines and industrial processes were -- provided they were both new and useful.

In 1880, Supreme Court Justice Noah Swayne added a third requirement: A patentable invention, he wrote, should be inspired by "a flash of genius."

This put a high bar on patentability, and through the decades the courts raised it. In 1950, Justice William O. Douglas wrote, "The Constitution never sanctioned the patenting of gadgets. Patents serve a higher end -- the advancement of science."

Inventors and patent-seeking corporations didn't like that. Two years later, Congress removed the "flash of genius" standard and replaced it with a vaguer requirement of "non-obviousness."

That began to loosen the patent floodgates. In 1980, the Supreme Court said life, in the form of genetically engineered bacteria, was patentable. The decision gave birth to the modern biotech industry.

#### A Case for Licensing

Five years ago, the patent court, the U.S. Court of Appeals for the Federal Circuit, took the increasingly blurry line between what was patentable and what wasn't and erased it.

At issue was a patent held by the Signature Financial Group Inc. for a system that channeled money from mutual funds into a central investment pool.

Under existing law, two things should have invalidated this patent.



First, it was a method of doing business. Previous courts had always held that business methods, like ideas or laws of nature, were not something one could patent. After all, companies already had plenty of incentive to improve their business techniques. If they didn't, they'd lose out to the competition.

But Signature's system wasn't only a method of doing business. It also was a mathematical process using algorithms.

An algorithm is a set of instructions for doing things in a certain order. And if a business plan, like "sell quick, cheap food close to major highways," seems like an idea that can't be patented, then an algorithm had seemed doubly so. Like all forms of math, it had been considered part of the realm of ideas -- as unpatentable as  $E = mc^2$ .

This time, however, the court said that because Signature's algorithms produced a useful, concrete and tangible result, it could be patented. As for the long-standing exception for business methods, the court found it "ill-conceived."

The ruling amazed intellectual property experts.

"What the Signature system was doing was accounting. It was dividing numbers by other numbers," said Duke University law professor James Boyle.

The number of business-method applications, many of which involved algorithms, rose sevenfold between 1998 and 2001. One patent that quickly became notorious was given to IBM Corp. for a "system and method for providing reservations for restroom use" on airplanes. The method: first come, first served.

For Boyle, we've reached a point where we're "tremblingly close" to patenting ideas.

"You're no longer patenting the corkscrew," he said. "You're patenting the idea of taking the cork out of the bottle so you can drink the wine."

Or, in the case of Patent No. 6,004,596, the idea of the peanut butter and jelly sandwich.

### Products Come Together

Jelly has been around for centuries, commercial peanut butter from 1890 and machine-sliced bread since the late 1920s. A decade later, some unknown genius combined all three ingredients to make the quintessential American sandwich.

PB&Js hit it big in the post-war years. The sandwiches weren't too messy, they didn't spoil after a couple of hours in a lunchbox, and they encouraged the consumption of milk.

A PB&J is pretty simple, which didn't stop food companies from trying to make it simpler. One such innovation was premixed peanut butter

and jelly, reducing the number of ingredients from three to two. Then Geske and Kretchman came up with the notion of prefabricating the whole thing.

They made a good pair. Geske had been looking for something to do in the winter, when demand for his packaged ice dropped, and Kretchman had some background in selling food to schools. They developed the sandwich at home and then did taste tests at schools.

Incredible Uncrustables was an immediate hit. Not only was the product nutritional and appealing, but it also eliminated the need for the schools to spend time making sandwiches themselves.

An intellectual property attorney helped secure a trademark on the name. The patent came about more casually.

"One attorney said, 'There's nothing here,' and we said OK," Geske recalled. "But a new attorney came in, and he said, 'We can get this through, no problem.' We gave them their fees. It took about a year and a half."

By the end of 1998, about 50 employees in Fargo were making 35,000 Incredible Uncrustables a day for schoolchildren in eight Midwestern states.

Smucker, the Orrville, Ohio, maker of jams and jellies, realized the sandwich could be a valuable addition to its product line. Smucker bought the company and shortened the name to Uncrustables.

The company also got the patent, which was granted Dec. 21, 1999, for a "sealed crustless sandwich."

"On what basis they granted it, I have no idea," said Geske, who made enough from the sale to Smucker to "take a couple of years off to enjoy the family."

The defendant in the sandwich lawsuit, Albie's, was founded in 1987 by two childhood buddies to sell pasties, which are meat or vegetables baked in dough. In the summer of 2000, the Gaylord, Mich.-based company began selling a peanut butter and jelly sandwich called E.Z. Jammers. It weighed 2.8 ounces, bigger than Smucker's 2-ounce product.

By December, Smucker noticed the E.Z. Jammers and demanded that Albie's stop. Albie's sued to have the patent declared invalid. Smucker then sued Albie's for infringement.

To avoid the expense of a full-blown suit, Albie's asked the patent office for a reexamination, a relatively rare procedure. The best way to get a patent thrown out is by finding examples of so-called prior art -- proof that the patent really didn't offer anything new.

One such piece of evidence suggested by Albie's was a kitchen tool called the Cut-N-Seal. This plunger-type device allowed an individual to seal and crimp a filling between two slices of bread.



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## INSIDE:

### Cover Story

- 3 An Active Eight Years for IP

### Features

- 8 The Evolution of the Business Method Patent and Update on the Business Method Action Plan
- 10 2000 Customer Satisfaction Survey Results
- 14 Patent and Trademark Depository Library Program Offers Service Nationwide
- 19 The Patent Business - Part Two  
A Conversation with Edward "Kaz" Kazenske, Deputy Commissioner for Patent Resources and Planning
- 24 From Welfare to Work... Two USPTO Women Beat the Odds

### Departments

- 2 In Touch with the Under Secretary for Intellectual Property
- 16 Helpful Hints....  
for patent applicants
- 23 Faces of the USPTO

The Magazine of the United States Patent and Trademark Office



## *In Touch*

*With the Under Secretary for IP*

**Q. Todd Dickinson**  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office

It has been a remarkable year for the USPTO, and, with 2000 drawing to a close, December is an ideal time to review some of the accomplishments of this past year. Not only have we had a very successful year, I think we have a lot of which to be proud.

When I first came to USPTO, we faced some rather serious challenges: our management team was under construction, prospects for patent reform legislation were dicey, our space consolidation project faced numerous hurdles, several major IT initiatives were on the drawing board only, and we faced a growing workload that was showing no sign of letting up soon.

Things have changed, and I think for the better. Today, I am proud to say that as a \$1 billion business with more than 6,500 employees, we are meeting the challenges of the 21<sup>st</sup> century. Not only is our management team strong and well-functioning, it is committed to the ideals of a well-managed workforce that is focused on continuous improvement as the key to continued success.

The most sweeping revision of the patent law in the last half-century became a reality. The American Inventors Protection Act also restructured us as a performance-based organization, giving us flexibility and independence to perform more like a business and, hopefully, less like a government bureaucracy. We finalized the lease on our new Carlyle Campus, which, when completed, will consolidate our office space in one new central location. With a groundbreaking coming up in mid-January, I am proud to say that we are on schedule and on budget. I know that by 2004, our new offices will serve to maximize our efficiency and provide the modern workspace our employees deserve.

And we realized the full implementation of a number of our innovative IT and automation plans as a significant part of our daily operation. Patent and trademark applications can be filed online, customers can check on-line on the status of an application, and we've continued to improve and expand search tools for our examiners. Finally, we were able to meet the tremendous growth in our workload by hiring a net of almost 800 new examiners.

Of course, these changes did not happen by themselves. By focusing on quality, skills training, efficiency, and proactive management, we brought the administration of the patent and trademark system into the age of e-government and maintained our goal to be the best IP office in the world.

As we reflect upon our accomplishments in 2000, I know that we are committed to making 2001 even more of a success for the new USPTO.

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## **An Active Eight Years for IP**

*by Tod Preston, Office of Legislative and International Affairs*

A new administration will soon be taking over the reins of the executive branch of the federal government. As the United States Patent and Trademark Office prepares for this transition, it's an opportune time to review developments on the intellectual property front since the last administration came into office. In many ways, it's been a remarkable eight years — light years, as they say, in Internet time.

The importance of intellectual property (IP) and the profile of the USPTO has increased dramatically since the dawn of the Clinton-Gore administration in January 1993. Here in the United States, a wave of high-tech invention and innovation, arguably the greatest ever, has fueled the longest economic expansion in our nation's history. As a result, patents, trademarks, and copyrights have become inexorably linked to economic vitality. This has made the protection of IP rights increasingly important.

Given these rapid developments, the demands on the USPTO have been enormous -- and the need for its expertise has risen to unprecedented heights. Just within the last year, for example, we have seen the enactment of the most sweeping patent reform legislation in a half-century, the transformation of the Office into a "performance-based organization" leading federal government reinvention, the awarding of the lease for a new 2 million sq. ft. office complex in Alexandria, and the signing of the new Patent Law Treaty by 43 member states of the World Intellectual Property Organization. The list goes on and on.

What follows are the highlights of the more noteworthy developments of the last eight years, beginning with developments within the agency itself and then on the international policy front.

#### Workload

One of the more fundamental IP developments in the last eight years has been the sharp increase in U.S. patent and trademark filings, which has led to a dramatic increase in USPTO workload. Indeed, since 1993 patent and trademark filings have increased more than 70 percent. Patent filings have gone from 174,000 in 1993 to just under 300,000 this year, and trademark applications have increased from 140,000 to over 370,000. The sheer volume of all of this data has won the USPTO the distinction of having more data storage than the combined contents of every book in the Library of Congress.

Two other statistics also underscore the explosive growth in the Office's workload: In 1993, total USPTO revenue was \$498 million. For 2001, it is projected to be \$1.2 billion. In addition, the time between millionth patent milestones was cut in half since the 5 millionth patent was issued in 1990 and the 6 millionth patent in 1999.

One way the USPTO has responded to this sharp increase in business has been to expand its workforce. The size of the patent examining corps has increased from 1,900 examiners in January 1993 to about 3,200 today. At the same time, the size of the trademark examining corps more than doubled, from 150 to 380. With this expansion, the USPTO is now, by all accounts, the most diverse agency in the federal government. Forty-five percent of the employees are women, and African-American and Asian employees make up about 34 percent and 17 percent of the USPTO workforce, respectively. The agency takes great pride in the fact that its workforce reflects the diversity of the American people.

### Quality and Customer Focus

Even more important than an expanded workforce, however, has been the Office's heightened focus on customer service and quality management. In order to provide better service to its patent and trademark customers, the USPTO has revolutionized its products and services over the past eight years, utilizing the Internet to offer one-stop, e-government "shopping." The USPTO's award-winning Web site now offers free access to every U.S. patent granted since the very first one in 1790, electronic filing of patent and trademark applications, up-to-the-minute status checks of patent and trademark applications, and credit card payment for all fees and services — just to name a few.

An important milestone occurred in 1995, when the USPTO began conducting annual surveys of patent and trademark customers, a valuable tool for pinpointing areas for improvement in the Office. Since that time, the USPTO has expanded customer outreach efforts through focus sessions, written surveys, interviews, roundtables, partnerships, and technology fairs. The Office has adopted the balanced scorecard methodology for all major operating units to better track and optimize operational performance, established the Office of Quality Management, and instituted customer service training for all patent employees. Training for trademark employees will begin in the new year.

Other initiatives undertaken to better meet the needs of customers include the establishment of the Office of Independent Inventor Programs in 1999, the launching of new TV and radio spots to fight invention promotion firms scams, and the creation of USPTO Web sites devoted specifically to independent inventors and children.

All of these programs have helped achieve a significant increase in customer satisfaction and are helping make the USPTO the standard-bearer for excellence in government. For example, a study earlier this year by the National Partnership for Reinventing Government, in cooperation with the Office of Personnel Management, ranked the USPTO #1 in the federal government in six different areas it surveyed, including having service goals aimed at meeting customer expectations.

Fortunately, a greater focus on customers has also been accompanied by a heightened focus on employees. Over the past eight years, the USPTO has taken a number of steps to improve the quality of work life so that it can attract and retain the best and the brightest employees. For example, through the leadership of former Commissioner Bruce Lehman and the late Commerce Secretary Ron Brown, the agency established PTO University in

1994. Partnering with five academic institutions (Northern Virginia Community College, Marymount University, Johns Hopkins University, University of Virginia, and Syracuse University), PTO University offers employees 11 academic programs at the undergraduate and graduate levels. In addition to these educational opportunities, the Office has expanded flexible hours, established full-time casual dress policies, and increased telecommuting programs. More employee-friendly policies are in the works, as well.

#### International IP Policy

As impressive as the developments have been within the agency itself, an unprecedented integration of IP in trade treaties, practices, and agreements has also taken place since January 1993. Under the leadership of Director Dickinson, former Commissioner Bruce Lehman, and others in the administration such as former Commerce Secretary William Daley, the USPTO has helped foster a global environment that clearly recognizes the importance of IP. In so doing, the USPTO has championed initiatives that will provide for stronger, more affordable, and more accessible IP protection in markets around the world.

The course for these initiatives was charted early on in the administration when, in 1994, the USPTO helped negotiate the World Trade Organization's Agreement on the Trade-Related Aspects of Intellectual Property (TRIPs). The TRIPs Agreement, which weaves patent, trademark, and copyright norms into the international trading system, now serves as the center of today's international IP protection system. Since TRIPs came into effect, the USPTO has sponsored numerous technical assistance and training programs to help developing economies bring their domestic laws into compliance with TRIPs.

At the same time in the patent area, the USPTO has led international efforts to secure efficient and affordable protection of the rights of all inventors throughout the world. It has done so through a formal proposal to simplify the Patent Cooperation Treaty and the recent adoption of the Patent Law Treaty. Similarly, on the trademark front, a high priority has been placed on harmonizing the procedures of national trademark offices worldwide. In addition to the ratification and implementation of the Trademark Law Treaty in 1998, the USPTO is anticipating implementation of the Madrid Protocol next year, which would streamline the trademark registration process by permitting U.S. trademark owners to file for registration in any number of 65 member countries by filing a single standardized application, in English, with a single set of fees at the USPTO.



The copyright front has been very active as well. The administration's leadership in this area began early in 1993 when President Clinton established the Working Group on Intellectual Property Rights, which was chaired by the USPTO. The group's 1995 report on "Intellectual Property and the National Information Infrastructure" led to adoption of the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty in 1996, the enactment of the Digital Millennium Copyright Act in 1998, the Conference on the Fair Use of copyrighted works, and other initiatives to strengthen copyright protection.

Other important milestones on the IP policy front included: (1) The creation of the National Intellectual Property Law Enforcement Coordination Council, established by Congress in 1999. The USPTO serves as cochair of the Council, along with the Justice Department, which grapples with the myriad of IP enforcement issues that seem to grow by the day. (2) The adoption this past September of the "Joint Recommendation Concerning Trademark Licenses" by the member states of WIPO's Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications. Championed by the United States, the Joint Recommendation complements the Trademark Law Treaty (TLT) through the simplification and harmonization of trademark licensing procedures. (3) The signing in July 1999 of a new Act of the Hague Agreement Concerning the International Registration of Industrial Designs by the United States and 22 other nations. The new Geneva Act attempts to establish an international system for obtaining protection for industrial designs that is compatible with the existing diverse range of national laws. The new act revises the current agreement in order to make the system simpler, less expensive, and more responsive to the creators of industrial design.

### Conclusion

From the global integration of intellectual property to one-stop electronic services, the USPTO has made great strides during the Clinton-Gore administration. If the last eight years are any indication, the next administration will also be a time of extraordinary opportunity and extraordinary challenge for IP. As it embarks on this new chapter in its history, the USPTO looks forward to continuing to improve its services to America's inventors and entrepreneurs -- the engines of our New Economy.

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# **The Evolution of the Business Method Patent and Update on the Business Method Action Plan**

*By Wynn Coggins, Technology Center 2100*

## ***Past to Present***

In 1876, Alexander Graham Bell revolutionized communication with his invention of the telephone. In 1880, Thomas Edison harnessed electricity with his invention of the light bulb. In 1906, Orville and Wilbur Wright created a new travel industry with their invention of the flying machine. IBM's earliest inventions in data processing date back to the late 1800s, and electrical-mechanical devices became common in the early 1900s. In the late 1980s, patents were granted on using animals for cancer research. These are all examples of huge, revolutionary ideas that have helped shape our great nation into the industrial giant that it is today. And the list simply goes on and on. But are the really big, revolutionary ideas all used up? Do we have any more "telephones," "computers," or "light bulbs" out there? Sure we do, but many of the patents issued today are taking a new shape. Small, incremental improvements to a known process or system are becoming more and more commonplace, and patents on electronic commerce business methods are emerging as a growing and controversial area.

## ***The Action Plan***

On March 29, 2000, Under Secretary Dickinson announced an action plan for business method patents which included initiatives on outreach to the electronic commerce industry and enhanced quality for the examination process of business method patents. The outreach initiatives specifically addressed establishing formal customer partnerships with the software, Internet, and electronic commerce industry to provide a forum to discuss mutual concerns, problems and possible solutions, and to share USPTO operational efforts in the business methods technology area. The outreach initiatives also addressed convening a roundtable forum with stakeholders and making a greater effort to locate and obtain relevant prior art resources using industry feedback.

The quality initiatives of the action plan included enhanced techni-

cal training for the examiners, revised examination guidelines for computer-related inventions, and expanded search activities.

Many of these initiatives have been put in place. Technology Center 2100 has established customer partnerships with 12 organizations, many of which have offered to provide examiner training, internships, field trips, and input on search strategies. USPTO has met individually with these organizations, however, the inaugural partnership meeting with these organizations is planned for the spring of 2001. In addition to the partnership organizations, representatives from the public, academia, and the private sector are also welcome.

USPTO continues to place emphasis on receiving and cataloging industry feedback on current prior art resources, and soliciting input on possible ways to expand these resources to include other databases and information collections that are not currently available to the examiners in Class 705. Public announcements will be made to help with this effort. Sometime in December or January an *Official Gazette* notice will be published requesting input from interested parties on current USPTO search resources used in the examination of applications in Class 705. A full and complete listing of current USPTO prior art resources will be provided in the notice for comment, along with a detailed description of the mandatory search that is now required for all applications examined in Class 705.

To address quality concerns by industry and patent practitioners, the USPTO has successfully implemented all of the quality initiatives outlined in the action plan. Technical training for the examiners has been enhanced to ensure technical currency on the various business method topics. Many of the partnership organizations have helped with this effort by providing speakers and training materials to the examiners. New positions in TC 2100 for a business practice specialist and a senior level examiner are being established and pursued to act as a resource on industry business practices and standards.

The Manual of Patent Examination Procedure guidelines for computer-related inventions was revised in February 2000 to reflect the *State Street Bank* and *AT&T v. Excel* court decisions. Additionally, mandatory searching has been implemented in TC 2100 for all applications in Class 705. This mandatory searching includes a classified US patent document search, foreign patents, and non-patent literature. Also, a new second-level review of all allowed applications in Class 705 is now required and the sampling size for review by the Office of Patent Quality review has been expanded

for Class 705 applications.

### *The Future*

Computers and the Internet have created an information age that is truly revolutionizing how we function as a society. New technologies are constantly emerging that didn't exist three weeks ago, and developers in

these areas don't always recognize the need to protect their discoveries. Thus, traditional patent search strategies need to be enhanced to meet future needs in these growing technology areas, and USPTO is working to bridge the gap with industry and work together to make this happen. With the help of the partnership organizations, concerns about the quality of the searches being performed by patent examiners and the examiner knowledge base on which they have to make decisions on patentable subject matter are being aggressively addressed. The business method patent phenomenon translates to progress. It is an example of the evolution the patent process is undergoing to keep pace in today's technology and information age.

## **A Second Pair of Eyes....**

### **Enhanced Review**

*as of October 23, 2000*



Number of allowed cases reviewed = 460

Number returned to SPE (any question) = 187

...being very conservative...

...lots of questions being asked...

Number reopened after SPE review = 28 (6.1 percent)

...one or more claims caused reopening...

...six were reopened due to all claims (1.3 percent).

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## **2000 Customer Satisfaction Survey Results**

*by Julie Chapin, Office of Quality Services*

The Annual Customer Satisfaction Survey enables USPTO to assess customer satisfaction with its processes and standards. Each year a random sample of patent and trademark customers are selected to participate in the survey. The results of the survey are used to measure progress in improving customer satisfaction as

well as identifying areas for improvement. The results often serve as catalysts for quality programs and initiatives throughout the year and beyond.

For patents, a total of 7,333 surveys were mailed with a goal of sampling approximately 1,000 respondents in each technology area. A response rate of 37 percent was achieved with a total of 2,545 completed surveys.

Eighty-seven percent of the respondents described themselves as being a "continuous customer" of the USPTO, and 80 percent were patent agents/attorneys. Another 18 percent of respondents represented large businesses with individual inventors making up 6 percent of the survey respondents.

For trademarks, a total of 1,113 surveys were mailed, and 400 surveys were returned for an overall response rate of 38 percent. Seventy-five percent of the respondents described themselves as "continuous customers," and 76 percent of the respondents identified themselves as attorneys. Individual applicants made up only 1 percent of the total respondent population. This profile is basically the same as in 1999.

### Key Drivers

Key drivers identify factors having the greatest impact on overall customer satisfaction. The key drivers for patents this year include:

Direct you promptly to the proper office or person.

Return telephone calls within one business day or, if requested by the caller, provide an alternate point of contact.

Set forth clearly in written communications, the technical, procedural, and legal position of examiners.

Mail accurate filing notices for complete, standard applications. (In 1999, question read "Mail *correct* filing notices...")

Conduct a thorough search during patent examination process of relevant U.S. patents, foreign patent literature,

**THANK YOU** — To those who took the time to respond to the USPTO Annual Customer Satisfaction Survey 2000. Through your personal involvement, and the participation of other practitioners, the agency expects to enhance its understanding of your needs and at the same time, develop initiatives for improving your satisfaction with USPTO products and services.

and non-patent literature contained in USPTO search files and, where appropriate, a reasonable search of other non-patent literature.

Provide patent grant within 36 months of filing.  
(Question was not asked in 1999.)

All the key drivers increased in satisfaction from 1999 except for "Clear written communications" which remained the same and "Conduct a thorough search" which decreased 3 percent. Two key drivers are new standards this year: "Mail accurate filing notices" and "Provide patent grant within 36 months."

*The key drivers for trademarks include:*

Direct you promptly to the proper office or person.

Set forth clearly in written communications, the technical, procedural, and legal position of examiners.

Provide a final determination regarding registrability within three months of filing.

Mail filing receipts within 14 days after receipt of application in the USPTO.

Respond to amendments within 35 days from mail room receipt date.

Issue Certificates of Registration with the correct information.

Provide clear and accurate answers to questions regarding the trademark application process through the Trademark Assistance Center.

For trademarks, the largest increase in customer satisfaction for a key driver was in "Respond to amendments within 35 days" which increased 4 percent. The largest decrease was 6 percent in "Mail filing receipts within 14 days after receipt of application."

The 2000 patent customer satisfaction survey results are quite encouraging. Overall customer satisfaction in the Patent area has improved by 12 percent in the last two years, increasing from 52 percent in 1998 to 64 percent in 2000. Additionally, dissatisfaction is only 13 percent.

A growing number of respondents are commenting about the proactive and individualized service, as well as the helpfulness of examiners in pointing out appropriate changes and working out issues over the telephone. Approximately 80 percent of respondents are satisfied with the use of the telephone for examination issues.

Most of the patent respondents who rated overall satisfaction as either neutral or dissatisfied appear to be dissatisfied with search quality and the service provided in following up on their problems and complaints. A Search committee task force was formed in 1999 and will continue to seek ways of improving search quality through ongoing focus sessions and developing efficient means for improving the search process for examiners. Additionally, USPTO is developing a customer complaint resolution database and staffing customer service centers to address problems and complaints expeditiously.

Overall satisfaction for Trademarks remains above 60 percent (at 65 percent satisfied), and dissatisfaction with overall services remains low, at 14 percent. Satisfaction with document accuracy (with the exception of filing receipts) remains strong, and several aspects of customer service and examination quality show high satisfaction ratings. While several areas remain strong in 2000, the results indicate some declining and unchanging satisfaction levels from 1999 to 2000.

Satisfaction with customer service was basically unchanged, but some slippage occurred for returning telephone calls within one business day.

Low levels of satisfaction still exist in trademarks regarding some key examination quality issues, including sufficiency of evidence in supporting actions, efficiency of the examination process, consistency of examination, and appropriateness of refusals made under 1052(d) and 1052(e). About one-third of the respondents reported that rejections are not usually appropriate under 1052(d) and 1052(e).

Targets for improvements have been outlined and new and on-going initiatives are underway to address these issues. To address the examination quality issues, the Office is developing additional guidelines for examining attorneys, and also is considering modifying several aspects of examination practice. Customer service training for all employees is also planned.

The 2001 Patent and Trademark Customer Satisfaction Surveys will be mailed in the spring of 2001. If you are randomly selected

to receive a survey please take a few minutes to respond. Your input is important and valuable to the USPTO.

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## **Patent and Trademark Depository Library Program Offers Service Nationwide**

*by Cynthia Banicki, Network Librarian  
Patent and Trademark Depository Library Program*

The Patent and Trademark Depository Library (PTDL) Program is a nationwide network of libraries staffed by skilled information professionals who disseminate intellectual property information using a variety of media. These prestigious public, academic, and state libraries designated as PTDLs by the under secretary of commerce for intellectual property and director of the United States Patent and Trademark Office facilitate access to what many consider to be the largest collection of technological and scientific information in the world.

The PTDL Program began in 1871 when federal statute (35 USC 13) first provided for the distribution of printed patents to libraries for use by the public. During the program's early years, 22 libraries, mostly public and all but several located east of the Mississippi River, elected to participate. PTDLs now reside at 44 academic libraries, 36 public libraries, seven state libraries, and one special library. Since 1977 the PTDL network has grown to 88 PTDLs, including three partnership libraries located in Sunnyvale, California, Detroit, Michigan, and Houston, Texas.

The United States Patent and Trademark Office provides significant support to these libraries. PTDLs receive current patent and trademark information, including subscriptions to electronic search and data delivery products. The PTDL Program also offers seminars and other extensive training programs specifically designed for PTDL librarians.



Each PTDL offers access to utility, design, plant, and reissue patents; reexamination certificates; Statutory Invention Registrations; post-issue patent status information; *The Official Gazette of the U.S. Patent and Trademark Office* (both patent and trademark sections); and all USPTO search tools, indices, and directories. All materials are distributed in a variety of formats including print, microfilm, microfiche, CD-ROM, DVD-ROM, diskette, and online.

PTDLs support special programs for inventors and intellectual property practitioners. For example, the Stillwater PTDL at Oklahoma State University cosponsored an educational workshop in November 2000 for inventors, partnering with the Oklahoma Inventor's Assistance Service. Earlier in the year this PTDL also cosponsored a two-day conference with the legal community titled "Celebrating 6 Million Patents: Encouraging Future Progress" during which USPTO speakers provided presentations on the patent process, legal issues, searching and recent news in the patent and trademark arena. Educational seminars currently being supported by PTDLs include the *Patents 2000 Customer Outreach Program*. Addressing the implementation of the American Inventors Protection Act and Electronic Commerce with the USPTO, these seminars were held at 13 PTDLs located across the country during the months of June through December. More seminars are being scheduled for 2001.

Specialized services at partnership PTDLs, offered on a cost recovery basis, supplement the free public access to patent and trademark products and services available at all PTDLs. State-of-the-art technology at the partnership PTDL libraries supports a variety of services previously available only at the USPTO, including access to the EAST, WEST, and X-search systems--the same electronic search systems used by patent examiners and trademark examining attorneys--high speed digital facsimile service, document delivery, disclosure document filing, and special seminars and workshops.

Secure videoconference links are available between USPTO and the partnership PTDLs for use in conducting USPTO business. Inventors and attorneys or agents can use the facilities designed for confidential interviews with USPTO patent examiners. A document camera and high-speed digital facsimile service facilitate instantaneous document preparation and exchange. The facilities are also available for interactive training programs, seminars and planning sessions. The USPTO offers encrypted videoconferencing for interviews with examiners.

The presence of a PTDL is valued in every locale as a rich resource for small businesses, research and development firms, university and

governmental laboratories, independent inventors, and entrepreneurs. Each PTDL brings the newest technology in the form of patents to a myriad of potential users in a city, state, or entire region. Patents also provide a unique body of scientific and technical literature that adds value and stature to a library's collection. Access to trademark information provides a service in high demand by local businesses. The availability of high quality patent and trademark information services in PTDLs serves to build the area's economy and continually attracts new communities of users, further expanding demand for USPTO information products and services.

For more information visit the PTDL Web site at: <http://www.uspto.gov/go/ptdl> .

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## **Helpful Hints**

### **for patent applicants**

USPTO employees speak frequently with inventors or potential inventors, and we are often surprised by the amount of misinformation that is circulating. In this month's Helpful Hints column, Dick Apley, director of the Office of Independent Inventor Programs, tests your awareness of fact and fiction in the patent process. How do you fare?

### **Something's Mything!**

*by Richard Apley, Director, Office of Independent Inventor Programs*

**Truth or myth?** In 1943, while on vacation in Santa Fe, New Mexico, Edwin Land snapped a picture of his three year old daughter. When she asked how long it would take before she could see the picture, Land wondered if it wouldn't be possible to develop and print a photograph inside a camera. After five years of research,

in 1947 Land introduced the Polaroid Model 95, which produced sepia-toned pictures in 60 seconds. Land took the camera to Kodak, but they dismissed his invention as a toy and turned down the opportunity to market the Polaroid.

**Truth or myth?** The cheapest way to establish your date of invention or “conception” is by mailing to yourself a registered letter describing the invention and leaving it sealed?

This practice is commonly called a “poor man’s patent” and is practically worthless. You cannot protect your invention against later inventors by merely mailing yourself a registered letter. There are many other methods to protect your invention: (1) keep full, detailed, records that are witnessed by others; use a bound notebook rather than a loose-leaf for protection against a charge that something was inserted later; (2) file a disclosure document; (3) file a provisional patent application; or (4) file a non-provisional patent application.

**Truth or myth?** Once granted a United States patent you can make or sell it in the United States and you can enforce it throughout the world?

A United States patent for an invention is a grant of a property right by the government to the inventor. The right conferred by the patent grant is the right to exclude others from making, using, offering for sale, or selling the invention in the United States or importing the invention into the United States. What is granted is not the right to make, use, offer for sale, sell, or import, but the right to exclude others from doing these things. Also, the grant of the United States patent is only enforceable in the United States. If you want protection around the world, you will have to file applications in those foreign countries in which you want patent protection.

**Truth or myth?** If you invent a better mousetrap the world will beat a pathway to your door?

With a commercialization success rate between two and five percent for inventions, this statement is one of the more fanciful ones we often hear. The origin for this saying is from a lecture given by Ralph Waldo Emerson in 1855: “If a man write a better book, preach a better sermon, or make a better mousetrap than his neighbor, though he builds his house in the woods, the world will make a beaten path to his door.” Most successful inventors and marketers will tell would-be inventors that successful products must solve two problems. First, the product must be needed by lots of people.

Second, the product has to solve a specific problem. Remember, the original slide fastener, which has developed into the modern zipper, was patented by Whitcomb L. Judson in 1893, but was not successfully marketed until about 1905.

**Truth or myth?** A working model is required to be submitted with your patent application.

The requirement of a model with each patent application was dropped in 1870. With the exception of cases involving perpetual motion, a model is not ordinarily required by the USPTO to demonstrate operativeness of a device. If operativeness of a device is questioned, the applicant must establish it to the satisfaction of the examiner, but the applicant may choose the way of so doing.

**Truth or myth?** A Patent Office official resigned and recommended that the Patent Office be closed because he thought that everything that could be invented had already been invented.

While that statement makes good fun of predictions that do not come to pass, it is none the less just a myth. Researchers have found no evidence that any official or employee of the U.S. Patent Office had ever resigned because there was nothing left to invent. Just the opposite is true.

A clue to the origin of the myth may be found in Patent Office Commissioner Henry Ellsworth's 1843 report to Congress. In it he states, "The advancement of the arts, from year to year, taxes our credulity and seems to presage the arrival of that period when human improvement must end." But Commissioner Ellsworth was simply using a bit of rhetorical flourish to emphasize the growing number of patents as presented in the rest of his report. He even outlined specific areas in which he expected patent activity to increase in the future.

This mythical quote has also been attributed to Charles H. Duell, who held the office of commissioner of patents in 1899. But unlike Ellsworth, who simply may have been misquoted, there is absolutely no basis to support Duell's alleged statement. Duell, like his predecessor, documented an increase in 1899 of about 3,000 patents over the previous year, and nearly 60 times the number granted in 1837. He further asked the Congress for aid and encouragement in improving the American patent system.

If you were wondering about the Edwin Land story... it's true.

# The Patent Business —

## Part Two

### A Conversation with Edward “Kaz” Kazenske, Deputy Commissioner for Patent Resources and Planning

*by Anne M. Houghton, Office of the  
Deputy Commissioner for Patent  
Resources and Planning*



The following is part two of a four-part series on the Patent Business. Part one featured in the November issue of USPTO TODAY an interview with Commissioner of Patents Nicholas Godici. Part two features an interview with the Deputy Commissioner for Patent Resources and Planning Edward “Kaz” Kazenske. Kazenske’s career prior to his appointment to the post of deputy commissioner for patent resources and planning included over 25 years of expertise in intellectual property rights and over 15 years of organizational management and leadership experience. The following article includes his description of the term “Patent Business,” some of the challenges that he faces regarding planning and resources, and his initiatives for the future.

*AH - What does the term “Patent Business” mean to you?*

Kaz - The term “Patent Business” has evolved from several issues such as fees, legislation, and reengineering that have effected the Office over the last decade. There was a lot of discussion about a business concept in the early ‘90s when we became 100 percent fee-funded. Later, legislation came along where we were to become a PBO [performance based organization] or government corporation.

In view of moving to a PBO and not relying on tax payer funding, we were forced to start looking at ourselves much like a business would operate, and less like a typical government organization or bureaucratic system. Since all of our costs must be recovered by fee income, we needed other tools as well such as moving to ABC [activity based cost] accounting and to start budgeting much more

closely to our costs and revenue activities. Other factors that came into play through reevaluating our strategic planning process was the message that we need to deliver products and services much more like a business would. Though we have a public responsibility, operating as a business really changed the involvement and focus of this organization.

*AH - As deputy commissioner for patent resources and planning, what are the biggest initiatives you're implementing over the next two fiscal years and what kind of impact will they have on the Patent Business?*

Kaz - I think our biggest effort is our aggressive movement toward e-commerce and automation. The second issue would be a total reevaluation and look at the patent examination process. That involves two aspects: one of reengineering, and one of a potential change in the process by regulation and statute. A third initiative, which may be our biggest challenge, is moving toward a greater involvement in knowledge management as an organization. All these efforts are equally important because of the growth and quality issues in this business. We have to collaborate much more closely with our significant partners, in order that their needs are met, be it for process issues or quality issues. At the same time, we'll have to work much more closely with our employees and our customers.

*AH - You're talking about a much more intimate relationship with your customer?*

Kaz - Yes, much closer. Particularly in the way a patent application is processed by the Office and by our customers. We should be discussing how we're going to share work in an e-commerce environment much more effectively and transfer that work between the parties.

*AH - Like a partnership?*

Kaz - Exactly, a much closer integration or partnership.

*AH - What do you believe is the most important factor for the Patent Business to focus on in the coming years and how do you plan to address it?*

Kaz - While the initiatives I previously mentioned are important, a very significant factor we must face in the coming years is: how do we balance the important intellectual rights of individuals and the public policy interests that may have potential social conflict with

those intellectual property rights? I think it's going to particularly challenging. You see it as the evolution of the patentability of future technologies. You see it in the public comments of our involvement in the patentability of biotechnology and business methods. What does all this mean to the evolution of the system? I think it's one of the toughest problems we're going to face over the next few years.

We need to protect a person's intellectual property rights, however, we have to manage that in a way that it's not received negatively in the public social infrastructure. You're hearing lots of comments "Patents are going to be a toll on the Internet rather than an incentive." I don't believe that. I think we need to address these issues and weigh them very carefully. I think it may be our biggest challenge. Our products are the currency of the 21<sup>st</sup> century and it could be a real setback to our economic well-being should we fail to manage these complex issues.

*AH – And how would you combat that?*

Kaz - By not allowing the practices to diminish the actual rights of the individual and their creations.

*AH - What does e-government mean to you and what do you see as the Patent Business' role five years from now in e-government?*

Kaz - E-government for us is the operation of our business in a Web environment. For our role, I think we have to be as involved, as ingenious, as active, and as creative as the most creative businesses doing business on the Internet today. I think the quality of our product, the timeliness of our product, and the necessity for our product in a Web environment is going to be critical, not only to the Office, but to everyone involved in the system. As I said in the previous answer, intellectual property rights are key today and probably for many years to come in our knowledge-based economy. People are going to have a myriad of needs for our products and services.

*AH – Do you see patents as the leader in this creation of a knowledge economy?*

Kaz - Exactly. I think our evolution to the Web is going to make that happen. We will become a 24/7 organization. From a customer's perspective, we will have to provide capabilities that will allow us to operate in an environment much greater than we operate today in the Eastern time zone. As knowledge and technology play an ever-increasing role in our economy, the significant

work of the USPTO will be in the forefront, from an employee's perspective, from a customer's perspective, and from a Web-based process perspective.

*AH - Will the Patent Business be a model for other government organizations, which are evolving to future PBOs, or other service-oriented entities?*

Kaz - I would hope we would be. But I think my goal would go beyond government. We could become a model for a lot of similar business activities that need our work and take a leadership role in this business. I see our corporate partners moving very aggressively; however, we have other constituencies that just through various processes, may not be moving as aggressively. We'll have to build those bridges. It's not going to happen in the next year, but I would say in the next few years, you're going to see full leverage of automation and the Web in this business. People comment we have a long way to go. But, if you look back when we began reengineering three or four years ago, we've come a long way. Look at the e-filings of patent and trademark applications over the past two years. Those are huge steps for government to take. We're on the cutting edge of a lot of new issues. Being a model can be difficult, but I think we've risen to that challenge.

*Anne Houghton is on detail assignment to the Office of Patent Resources and Planning at the USPTO from the National Science Foundation.*

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# Faces of the USPTO

The American Intellectual Property Law Association recognized the contributions of the following trademark examining attorneys "to the integrity of intellectual property law while in distinguished service at the United States Patent and Trademark Office." AIPLA president, Lou Pirkey, presented the certificates during the association's annual meeting in October.



**Karen Bush**  
Law Office 105  
10 years of service



**Jodi Lauterback**  
Law Office 107  
Five years of service

**Patrick Shanahan**  
Law Office 113  
10 years of service  
Photo not available



# From Welfare to Work

## Two USPTO Women Beat the Odds

by David Temple, Office of the Commissioner for Trademarks

In 1997, President Clinton challenged federal departments and agencies, under Vice President Gore's leadership, to help ensure the success of welfare reform. Recognizing the decennial census to be a singular opportunity for contributing to this initiative, then Secretary of Commerce William Daley

pledged to hire 4,180 welfare recipients. Four thousand were expected to be recruited to well-paid temporary decennial enumerator jobs; the remainder would be the more "permanent," full time, clerical trainee positions designated throughout each of the remaining bureaus and agencies. Of the remaining Commerce Department agencies, the United States Patent and Trademark Office ranks first in the number of Commerce Departmental hires (53), roughly one-third of all the full time commerce hires under this program.

USPTO's success comes as a result of a determined and creative staff commitment to ensure that the opportunities made real by the president and secretary's initiative, would in fact find their way to the thousands of Americans on welfare who had simply prayed and hoped for such a chance. I know. I was privileged to be appointed to the Department of Commerce in 1998 to oversee the effort for Secretary Daley. I have witnessed wonderful and inspiring human events here in Washington, and in every corner of our nation.

I can tell you firsthand that the careful and sensitive planning of USPTO's Office of Human Resources has resulted in life-altering changes and tangible aspirations and dreams for many employees and their families. In fact, the two-week orientation and training program designed by the USPTO planners served in 1999 as a model for similar programming needs at the Commerce Department. Many former welfare recipients, like their sisters across the country, are leading the way in showing up to work everyday and on time; focusing on task and on teamwork; addressing and resolving workplace tensions and conflicts; "responsibility as a way of life versus responsibility an option;" balancing work and family, espe-

*David Temple is on a 60-day detail as senior advisor to the commissioner for trademarks. He is completing this developmental assignment as part of the Commerce Department's Senior Executive Service Candidate Development Program. Formerly, he was program manager for the Welfare To Work Hiring Initiative for the Commerce Department and its agencies, thus providing a personal perspective of the Welfare to Work program in this article.*

cially the challenging world of "single-parentdom." And more.

Principally, they are women. They are women who are taking full advantage of new opportunities after years of unexpected, then fairly predictable, pain or hard luck. I remember meeting such a woman in Kansas City. She was hired in early 1999 by the regional Census office for a clerical position. She is now an entrepreneur with her own garment business and other interests. There are hundreds of other such "success stories" about poor women making great use of this unique federal opportunity which came their way.

Two such success "models" work in the Trademark organization.

As a child, Arnette Battle was obliged by fact and happenstance to drop out of school and help care for the needs of her ill mother and other dependent younger children in the household. During the next two decades, while largely dependent on some form of public assistance for all who were dependent on her, she began the GED high school equivalency completion program that was provided through her church. Also during that period she raised six children (five are now teenagers), while continuing to attend to her mother's medical needs. From time to time she found work as a telemarketer, a customer service representative, a photography assistant, or as a housekeeper -- work that she could splice in between all of the other demands on her time and endless reservoir of patience.

Finally, her time had come. Her District of Columbia caseworker found her a slot with the city's governance of Welfare-to-Work at the Department of Employment Services. Not long thereafter came the announcement and the application for the federal opportunity at the USPTO, the two week orientation, and now her exemplary work as a GS-3 clerk in Law Office III. When I asked Arnette what advice, if any, that she would offer to readers of this article or even to others in similar situations, she said: "Just tell them to try to learn patience. If they do, they'll be all right."

Charlotte Prado is also a patient person, usually... except perhaps in one notable area. Charlotte cannot wait to get to the office. She says she arrives around 5:30 a.m., "grabs the mail" and begins her day. How did this opportunity to come to a job before the sun rises come her way? After receiving a guiding hand from her Falls Church Human Services Employment and Training Division caseworker, Charlotte applied for and was hired as a GS-3 worker-trainee in September 1999. Within 10 months, she was selected for a GS-5 legal documents review clerk (data transcriber) position at the Trademark E-Commerce Law Office. This mother of three

children, born and raised in the Midwest, has every intention of becoming a permanent employee within six months. She passed the federal clerical examination last April and is hoping to advance quickly. The world seems much brighter.

But the earlier days and years were dark, intense, and uncertain for much of Charlotte's life. The events that shaped the period growing up in the "very" rural, remote and conservative Midwest fostered the determination that now drives her to succeed. After finding her way to Virginia, she worked at a few jobs, but those did not cover daycare expenses or the everyday expenses of a home and family. At the time she was selected for the welfare-to-work program, her only priority for herself and her family was "basic survival," and that was barely attainable.

Today, she "gives back." She trains others on the job, "several people," she says. She has coached and encouraged other worker trainees and other peers preparing to take the clerical examination. She has arranged training sites for lunch time informal classes taught on preparing job applications, interpreting vacancy announcements, and interviewing skills. "This job has raised my self-esteem and self-confidence," Charlotte said. "I know who I am and what I have to do."

Arnette and Charlotte are but two of thousands nationally whose self-esteem, self-confidence, and expectations have been raised by seizing opportunities provided from the president's Welfare To Work Federal Hiring Initiative. As a result, the lives and economic aspirations have fundamentally changed for whole families and their communities. The USPTO-WtW curriculum of orientation, training, and mentoring serves as a successful model not only for other Federal WtW programs, but also for training components here at USPTO and at other federal agencies generally.

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